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OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



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Comptroller

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March 20, 2009

Dan Krasnoff, Executive Director
Central West End, Midtown Community Development Corporation
12 N. Sarah Street
St. Louis, MO 63108

RE: Community Development Block Grant (Project #2009-CDA36)

Dear Mr. Krasnoff:

Enclosed is a report of our fiscal monitoring review of the Central West End, Midtown Community Development Corporation, a not-for-profit organization, CDBG Program for the period January 1, 2008 through September 30, 2008. The scope of a fiscal monitoring review is substantially less than an audit, and as such, we do not express an opinion on the financial operations of Central West End, Midtown Community Development Corporation. The fieldwork was completed on October 27, 2008.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and through an agreement with the City of St. Louis, Community Development Administration (CDA) to provide fiscal monitoring to all federal grant sub-recipients.

If you have any questions, please contact the Internal Audit Section at (314) 622-4723.

Sincerely,

Kenneth M. Stone
Dr. Kenneth M. Stone, CPA
Internal Audit Executive

Enclosure

cc: Lorna Alexander, Special Assistant for Development, CDA
Jill Claybour, Acting Executive Director, CDA



CITY OF ST. LOUIS

**COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)**

**CENTRAL WEST END MIDTOWN
COMMUNITY DEVELOPMENT CORPORATION
CONTRACT #08-31-65
CFDA #14.218**

**FISCAL MONITORING REVIEW
JANUARY 1, 2008 THROUGH SEPTEMBER 30, 2008**

PROJECT #2009-CDA36

DATE ISSUED: MARCH 20, 2009

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

Honorable Darlene Green, Comptroller

**CITY OF ST. LOUIS
COMMUNITY DEVELOPMENT ADMINISTRATION (CDA)
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)
CENTRAL WEST END, MIDTOWN
COMMUNITY DEVELOPMENT CORPORATION
FISCAL MONITORING REVIEW
JANUARY 1, 2008 THROUGH SEPTEMBER 30, 2008**

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INTRODUCTION

Background

Contract Name: Central West End, Midtown Community Development Corporation, CBDO

Contract Number: 08-31-65

CFDA Number: 14.218

Contract Period: January 1, 2008 through December 31, 2008

Contract Amount: \$100,000

This contract provided Community Development Block Grant (CDBG) funds to Central West End, Midtown Community Development Corporation (Agency) to increase property values and the quality of life within the Central West End neighborhood by drawing upon the energy and talent of those who live and work in the community.

Purpose

The purpose was to determine the Agency's compliance with federal, state and local CDBG requirements for the period January 1, 2008 through September 30, 2008 and make recommendations for improvements as considered necessary.

Scope and Methodology

Inquiries were made regarding the Agency's internal controls relating to the grants administered by Community Development Administration (CDA), evidence tested supporting the reports the Agency submitted to CDA and other procedures performed as considered necessary. The fieldwork was completed on October 27, 2008.

Exit Conference

The Agency was offered the opportunity for an exit conference on March 4, 2009, but the Agency declined.

Management's Responses

Management responses to the observations and recommendations were received on March 18, 2009, and have been incorporated into this report.

SUMMARY OF OBSERVATIONS

Conclusion

The Agency did not fully comply with federal, state and local CDA requirements.

Status of Prior Observations

The Agency's previous fiscal monitoring report dated May 22, 2007 contained two observations:

1. The Agency did not use two duly authorized signatures for checks **(Resolved)**
2. Failure to submit support documentation with reimbursement requests **(Resolved)**

A-133 Status

According to a letter received from the Agency dated October 20, 2008, it did not expend \$500,000 or more in federal funds in its fiscal year ended December 31, 2006 and was not required to have an A-133 audit.

Summary of Current Observations

We made recommendations for the following observations, which if implemented, could assist the Agency in fully complying with federal, state and local CDBG requirements.

1. Opportunity to satisfy the honesty blanket position bonding requirement
2. Opportunity to file monthly financial reports in a timely manner
3. Opportunity to track the usage and accrual of vacation and sick leave

**DETAILED OBSERVATIONS, RECOMMENDATIONS,
AND MANAGEMENT'S RESPONSES**

1. Opportunity to Satisfy Honesty Blanket Position Bonding Requirement

Section 2.6 of the Fiscal Monitoring Operating Procedures Manual, Honesty Blanket Position Bonding, states, "All persons employed or authorized to perform functions related the execution of a CDBG-funded project or activity shall be covered by a minimum Honesty Blanket Position coverage of \$10,000. Certain positions such as the chief executive officer (president, executive director, etc.) and the financial officer require \$25,000 in coverage."

The Agency did have honesty blanket coverage for its employees; however, the insured amount for the Executive Director was \$10,000 instead of the required minimum of \$25,000.

Insufficient honesty blanket coverage may leave the Agency vulnerable to significant losses.

Recommendation

It is recommended that the Agency increase its bonding coverage to the \$25,000 minimum for the Executive Director.

Management's Response

CWE Midtown will increase this coverage to \$25,000.

**DETAILED OBSERVATIONS, RECOMMENDATIONS,
AND MANAGEMENT'S RESPONSES**

2. Opportunity to Submit Monthly Financial Reports in a Timely Manner

Page three of the contract between the Agency and CDA states "...the Operating Agency shall be required to submit monthly financial statements as specified in the Operating Agency Fiscal Procedures Manual, no later than the 10th calendar day of each month to the Comptroller's Office- Federal Grants Section...."

For contract #08-31-65, six calendar year 2008 monthly financial reports were late as follows:

Report Month	Due Date	Date Submitted	Number of Days Late
January	February 10, 2008	February 11, 2008	1
February	March 10, 2008	March 17, 2008	7
March	April 10, 2008	April 15, 2008	5
May	June 10, 2008	June 12, 2008	2
June	July 10, 2008	July 14, 2008	4
July	August 10, 2008	August 12, 2008	2
Total			21
Average			4

The Agency did not have an effective system of internal controls in place to ensure compliance with CDA regulations and the reporting requirements for the OMB Circular A-133.

Non-compliance with the CDA regulations or OMB Circular A-133 reporting compliance requirements may cause a delay or suspension in the processing of reimbursement requests resulting in interruption in the Agency's services to its clients.

Recommendation

It is recommended that the Agency comply with CDA regulations and submit its monthly financial reports by the 10th day of the month following the report period end for current and future contracts.

Management's Response

... We will devise a better system to ensure these reports are supplied in a timely fashion.

**DETAILED OBSERVATIONS, RECOMMENDATIONS,
AND MANAGEMENT'S RESPONSES**

3. Opportunity to Track Usage and Accrual of Vacation and Sick Leave

A part of effective internal controls is the documentation of the amount of employee sick leave and vacation earned and taken throughout the year.

Timesheets and pay stubs were sampled from the months of March and June 2008. The Agency is not documenting the accrual and usage of its employees' sick leave and vacation time, which a portion of those salaries is paid through Federal Block Grant funds. Once it was discovered that this information was not being shown on the employee timesheets or pay stubs, the Executive Director was interviewed and stated that the Agency did not currently have a formal procedure set in place.

The lack of documentation for paid leave is an internal control weakness that can lead to discrepancies on time earned and/or taken off and ultimately the abuse of paid time taken off by employees and the misuse of the grant funds.

Recommendation

It is recommended that the Agency develop an effective process where the accrual and use of its employees' sick leave and vacation time is adequately documented.

Management's Response

All future requests for vacation time and sick leave will be approved by the Board of Director's Chairperson in writing.